

Kansas Health Policy Authority
Town Hall meeting
November 21, 2006
Pittsburg, KS 66713

To the Kansas Health Policy Authority,

My name is Brian Caswell. I am a pharmacist currently operating Wolkar Drug in Baxter Springs, Kansas. I am a former President to the Kansas Pharmacist Association and the current chair for the Governmental Affairs committee to the association.

I come today in regard to asking for some assistance concerning policy that has been set forth by the 109 th U.S. congress earlier this year, the Deficit Reduction Act. Good, sound, and economically fiscal policy is something we all wish to see from our governmental agencies. The Deficit Reduction Act and its policies are set to begin January 1 st 2007. At this time pharmacy reimbursement to the states for its Medicaid prescription drug coverage from CMS will change from its current structure to a new formula using AMP (Average Manufacturer Price) as the basis of cost for generic drugs. This new formula is an untested and uncertain model in the pharmacy community. The data, so far to this date, has been hidden from industry analysis. So therefore it is difficult to evaluate the total impact of a new formula to the healthcare arena. National associations have been doing their best to come up with an impact study. Some of their best guess shows that using the AMP formula could result in reducing the reimbursement of generic drugs to 50% of what their actual net cost would be to the retail pharmacy. This policy by the federal government has created a disincentive to the healthcare system to use lower cost alternative drugs. If reimbursement to a pharmacy owner results in a loss of operational costs, then it is likely that the operator of that pharmacy will cease to utilize either those products or withdraw from participating within the system all together. Either way a decrease in use and access to affordable generic medications will be the result. One national analysis states that an increase of just 1% in use of generic drugs will net a savings of approximately \$ 473 million dollars to the Medicaid federal program. Consequently an inverse of generic usage will have an equal but negative impact on the budgetary process that we all struggle with today. Also, if a pharmacy chooses not to participate in the Medicaid program there will be inherent access issues for a state that is as rural as Kansas.

Recently, KHPA has stated that it wishes at this time to not alter the reimbursement issue to pharmacy due to the fluid environment and uncertainty of CMS with regard to AMP. I do understand the reason. I would like to point out that many members of KHPA, including Marcia Nielson, have been in contact with pharmacy leaders in Kansas and the communication lines are very open and dialogue is flowing. It is my hope that an issue like AMP will not become an emergency in the beginning of 2007 much like that of last

year's fiasco with Medicare Part D. I am aware that some other states have already drafted policies that will address the issue if and when it is implemented. States like Louisiana and Oklahoma have set in place a fair dispensing fee to offset the loss in reimbursement to pharmacy. I would like to request that KHPA take another look at the possible impact of this federal policy issue and take steps in order to avoid any disruption to Medicaid or its service to its clients.

I look forward to continue to work with KHPA and pharmacy leaders in Kansas to bring about the most comprehensive and affordable health care coverage in the country. Thanks goes out to Marcia Nielson, Karen Braman, and Anne Ferguson for their tireless efforts in addressing this issue with the very limited information that they have been given.

I would be available to answer any questions now or at any time later for the committee.

Respectfully submitted,

Brian Caswell R.Ph.

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